

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 418

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## AN ACT

To protect members of the Armed Forces from unscrupulous practices regarding sales of insurance, financial, and investment products.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Military Personnel Financial Services Protection Act”.

1 (b) TABLE OF CONTENTS.—The table of contents for  
 2 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Congressional findings.
- Sec. 3. Definitions.
- Sec. 4. Prohibition on future sales of periodic payment plans.
- Sec. 5. Required disclosures regarding offers or sales of securities on military installations.
- Sec. 6. Method of maintaining broker and dealer registration, disciplinary, and other data.
- Sec. 7. Filing depositories for investment advisers.
- Sec. 8. State insurance and securities jurisdiction on military installations.
- Sec. 9. Required development of military personnel protection standards regarding insurance sales; administrative coordination.
- Sec. 10. Required disclosures regarding life insurance products.
- Sec. 11. Improving life insurance product standards.
- Sec. 12. Required reporting of disciplinary actions.
- Sec. 13. Reporting barred persons selling insurance or securities.
- Sec. 14. Study and reports by Inspector General of the Department of Defense.

3 **SEC. 2. CONGRESSIONAL FINDINGS.**

4 Congress finds that—

5 (1) members of the Armed Forces perform  
 6 great sacrifices in protecting our Nation in the War  
 7 on Terror;

8 (2) the brave men and women in uniform de-  
 9 serve to be offered first-rate financial products in  
 10 order to provide for their families and to save and  
 11 invest for retirement;

12 (3) members of the Armed Forces are being of-  
 13 fered high-cost securities and life insurance products  
 14 by some financial services companies engaging in  
 15 abusive and misleading sales practices;

16 (4) one securities product offered to service  
 17 members, known as the “mutual fund contractual

1 plan”, largely disappeared from the civilian market  
2 in the 1980s, due to excessive sales charges;

3 (5) with respect to a mutual fund contractual  
4 plan, a 50 percent sales commission is assessed  
5 against the first year of contributions, despite an av-  
6 erage commission on other securities products of less  
7 than 6 percent on each sale;

8 (6) excessive sales charges allow abusive and  
9 misleading sales practices in connection with mutual  
10 fund contractual plan;

11 (7) certain life insurance products being offered  
12 to members of the Armed Forces are improperly  
13 marketed as investment products, providing minimal  
14 death benefits in exchange for excessive premiums  
15 that are front-loaded in the first few years, making  
16 them entirely inappropriate for most military per-  
17 sonnel; and

18 (8) the need for regulation of the marketing  
19 and sale of securities and life insurance products on  
20 military bases necessitates Congressional action.

21 **SEC. 3. DEFINITIONS.**

22 For purposes of this Act, the following definitions  
23 shall apply:

24 (1) LIFE INSURANCE PRODUCT.—

1           (A) IN GENERAL.—The term “life insur-  
 2           ance product” means any product, including in-  
 3           dividual and group life insurance, funding  
 4           agreements, and annuities, that provides insur-  
 5           ance for which the probabilities of the duration  
 6           of human life or the rate of mortality are an  
 7           element or condition of insurance.

8           (B) INCLUDED INSURANCE.—The term  
 9           “life insurance product” includes the granting  
 10          of—

- 11                   (i) endowment benefits;
- 12                   (ii) additional benefits in the event of
- 13                   death by accident or accidental means;
- 14                   (iii) disability income benefits;
- 15                   (iv) additional disability benefits that
- 16                   operate to safeguard the contract from
- 17                   lapse or to provide a special surrender
- 18                   value, or special benefit in the event of
- 19                   total and permanent disability;
- 20                   (v) benefits that provide payment or
- 21                   reimbursement for long-term home health
- 22                   care, or long-term care in a nursing home
- 23                   or other related facility;
- 24                   (vi) burial insurance; and

1 (vii) optional modes of settlement or  
 2 proceeds of life insurance.

3 (C) EXCLUSIONS.—Such term does not in-  
 4 clude workers compensation insurance, medical  
 5 indemnity health insurance, or property and  
 6 casualty insurance.

7 (2) NAIC.—The term “NAIC” means the Na-  
 8 tional Association of Insurance Commissioners (or  
 9 any successor thereto).

10 **SEC. 4. PROHIBITION ON FUTURE SALES OF PERIODIC PAY-**  
 11 **MENT PLANS.**

12 (a) AMENDMENT.—Section 27 of the Investment  
 13 Company Act of 1940 (15 U.S.C. 80a–27) is amended by  
 14 adding at the end the following new subsection:

15 “(j) TERMINATION OF SALES.—

16 “(1) TERMINATION.—Effective 30 days after  
 17 the date of enactment of the Military Personnel Fi-  
 18 nancial Services Protection Act, it shall be unlawful,  
 19 subject to subsection (i)—

20 “(A) for any registered investment com-  
 21 pany to issue any periodic payment plan certifi-  
 22 cate; or

23 “(B) for such company, or any depositor of  
 24 or underwriter for any such company, or any  
 25 other person, to sell such a certificate.

1           “(2) NO INVALIDATION OF EXISTING CERTIFI-  
 2           CATES.—Paragraph (1) shall not be construed to  
 3           alter, invalidate, or otherwise affect any rights or ob-  
 4           ligations, including rights of redemption, under any  
 5           periodic payment plan certificate issued and sold be-  
 6           fore 30 days after such date of enactment.”.

7           (b) TECHNICAL AMENDMENT.—Section 27(i)(2)(B)  
 8           of the Investment Company Act of 1940 (15 U.S.C. 80a–  
 9           27(i)(2)(B)) is amended by striking “section 26(e)” each  
 10          place that term appears and inserting “section 26(f)”.

11          (c) REPORT ON REFUNDS, SALES PRACTICES, AND  
 12          REVENUES FROM PERIODIC PAYMENT PLANS.—Not later  
 13          than 6 months after the date of enactment of this Act,  
 14          the Securities and Exchange Commission shall submit to  
 15          the Committee on Financial Services of the House of Rep-  
 16          resentatives and the Committee on Banking, Housing, and  
 17          Urban Affairs of the Senate, a report describing—

18               (1) any measures taken by a broker or dealer  
 19               registered with the Securities and Exchange Com-  
 20               mission pursuant to section 15(b) of the Securities  
 21               Exchange Act of 1934 (15 U.S.C. 78o(b)) to volun-  
 22               tarily refund payments made by military service  
 23               members on any periodic payment plan certificate,  
 24               and the amounts of such refunds;

(2) after such consultation with the Secretary of Defense, as the Commission considers appropriate, the sales practices of such brokers or dealers on military installations over the 5 years preceding the date of submission of the report and any legislative or regulatory recommendations to improve such practices; and

(3) the revenues generated by such brokers or dealers in the sales of periodic payment plan certificates over the 5 years preceding the date of submission of the report, and the products marketed by such brokers or dealers to replace the revenue generated from the sales of periodic payment plan certificates prohibited under subsection (a).

**SEC. 5. REQUIRED DISCLOSURES REGARDING OFFERS OR  
SALES OF SECURITIES ON MILITARY INSTAL-  
LATIONS.**

Section 15A(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78o-3(b)) is amended by inserting immediately after paragraph (13) the following:

“(14) The rules of the association include provisions governing the sales, or offers of sales, of securities on the premises of any military installation to any member of the Armed Forces or a dependent thereof, which rules require—

1           “(A) the broker or dealer performing bro-  
2           kerage services to clearly and conspicuously dis-  
3           close to potential investors—

4                   “(i) that the securities offered are not  
5                   being offered or provided by the broker or  
6                   dealer on behalf of the Federal Govern-  
7                   ment, and that its offer is not sanctioned,  
8                   recommended, or encouraged by the Fed-  
9                   eral Government; and

10                   “(ii) the identity of the registered  
11                   broker-dealer offering the securities;

12           “(B) such broker or dealer to perform an  
13           appropriate suitability determination, including  
14           consideration of costs and knowledge about se-  
15           curities, prior to making a recommendation of  
16           a security to a member of the Armed Forces or  
17           a dependent thereof; and

18           “(C) that no person receive any referral fee  
19           or incentive compensation in connection with a  
20           sale or offer of sale of securities, unless such  
21           person is an associated person of a registered  
22           broker or dealer and is qualified pursuant to  
23           the rules of a self-regulatory organization.”.



1 **SEC. 6. METHOD OF MAINTAINING BROKER AND DEALER**  
 2 **REGISTRATION, DISCIPLINARY, AND OTHER**  
 3 **DATA.**

4 Section 15A(i) of the Securities Exchange Act of  
 5 1934 (15 U.S.C. 78o–3(i)) is amended to read as follows:

6 “(i) OBLIGATION TO MAINTAIN REGISTRATION, DIS-  
 7 CIPLINARY, AND OTHER DATA.—

8 “(1) MAINTENANCE OF SYSTEM TO RESPOND  
 9 TO INQUIRIES.—A registered securities association  
 10 shall—

11 “(A) establish and maintain a system for  
 12 collecting and retaining registration informa-  
 13 tion;

14 “(B) establish and maintain a toll-free  
 15 telephone listing, and a readily accessible elec-  
 16 tronic or other process, to receive and promptly  
 17 respond to inquiries regarding—

18 “(i) registration information on its  
 19 members and their associated persons; and

20 “(ii) registration information on the  
 21 members and their associated persons of  
 22 any registered national securities exchange  
 23 that uses the system described in subpara-  
 24 graph (A) for the registration of its mem-  
 25 bers and their associated persons; and

“(C) adopt rules governing the process for making inquiries and the type, scope, and presentation of information to be provided in response to such inquiries in consultation with any registered national securities exchange providing information pursuant to subparagraph (B)(ii).

“(2) RECOVERY OF COSTS.—A registered securities association may charge persons making inquiries described in paragraph (1)(B), other than individual investors, reasonable fees for responses to such inquiries.

“(3) PROCESS FOR DISPUTED INFORMATION.—Each registered securities association shall adopt rules establishing an administrative process for disputing the accuracy of information provided in response to inquiries under this subsection in consultation with any registered national securities exchange providing information pursuant to paragraph (1)(B)(ii).

“(4) LIMITATION ON LIABILITY.—A registered securities association, or an exchange reporting information to such an association, shall not have any liability to any person for any actions taken or omitted in good faith under this subsection.

1           “(5) DEFINITION.—For purposes of this sub-  
 2           section, the term ‘registration information’ means  
 3           the information reported in connection with the reg-  
 4           istration or licensing of brokers and dealers and  
 5           their associated persons, including disciplinary ac-  
 6           tions, regulatory, judicial, and arbitration pro-  
 7           ceedings, and other information required by law, or  
 8           exchange or association rule, and the source and sta-  
 9           tus of such information.”.

10 **SEC. 7. FILING DEPOSITORIES FOR INVESTMENT ADVIS-**  
 11 **ERS.**

12           (a) INVESTMENT ADVISERS.—Section 204 of the In-  
 13 vestment Advisers Act of 1940 (15 U.S.C. 80b–4) is  
 14 amended—

15           (1) by striking “Every investment” and insert-  
 16 ing the following:

17           “(a) IN GENERAL.—Every investment”; and

18           (2) by adding at the end the following:

19           “(b) FILING DEPOSITORIES.—The Commission may,  
 20 by rule, require an investment adviser—

21           “(1) to file with the Commission any fee, appli-  
 22 cation, report, or notice required to be filed by this  
 23 title or the rules issued under this title through any  
 24 entity designated by the Commission for that pur-  
 25 pose; and

1           “(2) to pay the reasonable costs associated with  
2       such filing and the establishment and maintenance  
3       of the systems required by subsection (c).

4       “(c) ACCESS TO DISCIPLINARY AND OTHER INFOR-  
5 MATION.—

6           “(1) MAINTENANCE OF SYSTEM TO RESPOND  
7 TO INQUIRIES.—

8           “(A) IN GENERAL.—The Commission shall  
9       require the entity designated by the Commis-  
10      sion under subsection (b)(1) to establish and  
11      maintain a toll-free telephone listing, or a read-  
12      ily accessible electronic or other process, to re-  
13      ceive and promptly respond to inquiries regard-  
14      ing registration information (including discipli-  
15      nary actions, regulatory, judicial, and arbitra-  
16      tion proceedings, and other information re-  
17      quired by law or rule to be reported) involving  
18      investment advisers and persons associated with  
19      investment advisers.

20          “(B) APPLICABILITY.—This subsection  
21      shall apply to any investment adviser (and the  
22      persons associated with that adviser), whether  
23      the investment adviser is registered with the  
24      Commission under section 203 or regulated  
25      solely by a State, as described in section 203A.

1           “(2) RECOVERY OF COSTS.—An entity des-  
 2           ignated by the Commission under subsection (b)(1)  
 3           may charge persons making inquiries, other than in-  
 4           dividual investors, reasonable fees for responses to  
 5           inquiries described in paragraph (1).

6           “(3) LIMITATION ON LIABILITY.—An entity  
 7           designated by the Commission under subsection  
 8           (b)(1) shall not have any liability to any person for  
 9           any actions taken or omitted in good faith under  
 10          this subsection.”.

11          (b) CONFORMING AMENDMENTS.—

12           (1) INVESTMENT ADVISERS ACT OF 1940.—Sec-  
 13          tion 203A of the Investment Advisers Act of 1940  
 14          (15 U.S.C. 80b–3a) is amended—

15                   (A) by striking subsection (d); and

16                   (B) by redesignating subsection (e) as sub-  
 17          section (d).

18           (2) NATIONAL SECURITIES MARKETS IMPROVE-  
 19          MENT ACT OF 1996.—Section 306 of the National  
 20          Securities Markets Improvement Act of 1996 (15  
 21          U.S.C. 80b–10, note) is repealed.

22   **SEC. 8. STATE INSURANCE AND SECURITIES JURISDICTION**  
 23           **ON MILITARY INSTALLATIONS.**

24          (a) CLARIFICATION OF JURISDICTION.—Any provi-  
 25          sion of law, regulation, or order of a State with respect

1 to regulating the business of insurance or securities shall  
2 apply to insurance or securities activities conducted on  
3 Federal land or facilities in the United States and abroad,  
4 including military installations, except to the extent that  
5 such law, regulation, or order—

6 (1) directly conflicts with any applicable Fed-  
7 eral law, regulation, or authorized directive; or

8 (2) would not apply if such activity were con-  
9 ducted on State land.

10 (b) PRIMARY STATE JURISDICTION.—To the extent  
11 that multiple State laws would otherwise apply pursuant  
12 to subsection (a) to an insurance or securities activity of  
13 an individual or entity on Federal land or facilities, the  
14 State having the primary duty to regulate such activity  
15 and the laws of which shall apply to such activity in the  
16 case of a conflict shall be—

17 (1) the State within which the Federal land or  
18 facility is located; or

19 (2) if the Federal land or facility is located out-  
20 side of the United States, the State in which—

21 (A) in the case of an individual engaged in  
22 the business of insurance, such individual has  
23 been issued a resident license;

24 (B) in the case of an entity engaged in the  
25 business of insurance, such entity is domiciled;

(C) in the case of an individual engaged in the offer or sale (or both) of securities, such individual is registered or required to be registered to do business or the person solicited by such individual resides; or

(D) in the case of an entity engaged in the offer or sale (or both) of securities, such entity is registered or is required to be registered to do business or the person solicited by such entity resides.

**SEC. 9. REQUIRED DEVELOPMENT OF MILITARY PERSONNEL PROTECTION STANDARDS REGARDING INSURANCE SALES; ADMINISTRATIVE COORDINATION.**

(a) STATE STANDARDS.—Congress intends that—

(1) the States collectively work with the Secretary of Defense to ensure implementation of appropriate standards to protect members of the Armed Forces from dishonest and predatory insurance sales practices while on a military installation of the United States (including installations located outside of the United States); and

(2) each State identify its role in promoting the standards described in paragraph (1) in a uniform

1 manner, not later than 12 months after the date of  
2 enactment of this Act.

3 (b) STATE REPORT.—It is the sense of Congress that  
4 the NAIC should, after consultation with the Secretary of  
5 Defense and, not later than 12 months after the date of  
6 enactment of this Act, conduct a study to determine the  
7 extent to which the States have met the requirement of  
8 subsection (a), and report the results of such study to the  
9 Committee on Financial Services of the House of Rep-  
10 resentatives and the Committee on Banking, Housing, and  
11 Urban Affairs of the Senate.

12 (c) ADMINISTRATIVE COORDINATION; SENSE OF  
13 CONGRESS.—It is the sense of the Congress that senior  
14 representatives of the Secretary of Defense, the Securities  
15 and Exchange Commission, and the NAIC should meet  
16 not less frequently than twice a year to coordinate their  
17 activities to implement this Act and monitor the enforce-  
18 ment of relevant regulations relating to the sale of finan-  
19 cial products on military installations of the United States.

20 **SEC. 10. REQUIRED DISCLOSURES REGARDING LIFE INSUR-**  
21 **ANCE PRODUCTS.**

22 (a) REQUIREMENT.—Except as provided in sub-  
23 section (e), no person may sell, or offer for sale, any life  
24 insurance product to any member of the Armed Forces  
25 or a dependent thereof on a military installation of the



1 United States, unless a disclosure in accordance with this  
2 section is provided to such member or dependent at the  
3 time of the sale or offer.

4 (b) DISCLOSURE.—A disclosure in accordance with  
5 this section is a written disclosure that—

6 (1) states that subsidized life insurance is avail-  
7 able to the member of the Armed Forces from the  
8 Federal Government under the Servicemembers’  
9 Group Life Insurance program (also referred to as  
10 “SGLI”), under subchapter III of chapter 19 of title  
11 38, United States Code;

12 (2) states the amount of insurance coverage  
13 available under the SGLI program, together with the  
14 costs to the member of the Armed Forces for such  
15 coverage;

16 (3) states that the life insurance product that  
17 is the subject of the disclosure is not offered or pro-  
18 vided by the Federal Government, and that the Fed-  
19 eral Government has in no way sanctioned, rec-  
20 ommended, or encouraged the sale of the life insur-  
21 ance product being offered;

22 (4) fully discloses any terms and circumstances  
23 under which amounts accumulated in a savings fund  
24 or savings feature under the life insurance product  
25 that is the subject of the disclosure may be diverted

1 to pay, or reduced to offset, premiums due for con-  
2 tinuation of coverage under such product;

3 (5) states that no person has received any refer-  
4 ral fee or incentive compensation in connection with  
5 the offer or sale of the life insurance product, unless  
6 such person is a licensed agent of the person en-  
7 gaged in the business of insurance that is issuing  
8 such product;

9 (6) is made in plain and readily understandable  
10 language and in a type font at least as large as the  
11 font used for the majority of the solicitation material  
12 used with respect to or relating to the life insurance  
13 product; and

14 (7) with respect to a sale or solicitation on Fed-  
15 eral land or facilities located outside of the United  
16 States, lists the address and phone number at which  
17 consumer complaints are received by the State insur-  
18 ance commissioner for the State having the primary  
19 jurisdiction and duty to regulate the sale of such life  
20 insurance products pursuant to section 8.

21 (c) VOIDABILITY.—The sale of a life insurance prod-  
22 uct in violation of this section shall be voidable from its  
23 inception, at the sole option of the member of the Armed  
24 Forces, or dependent thereof, as applicable, to whom the  
25 product was sold.

1 (d) ENFORCEMENT.—If it is determined by a Federal  
 2 or State agency, or in a final court proceeding, that any  
 3 person has intentionally violated, or willfully disregarded  
 4 the provisions of, this section, in addition to any other  
 5 penalty under applicable Federal or State law, such person  
 6 shall be prohibited from further engaging in the business  
 7 of insurance with respect to employees of the Federal Gov-  
 8 ernment on Federal land, except—

9 (1) with respect to existing policies; and

10 (2) to the extent required by the Federal Gov-  
 11 ernment pursuant to previous commitments.

12 (e) EXCEPTIONS.—This section shall not apply to any  
 13 life insurance product specifically contracted by or  
 14 through the Federal Government.

15 **SEC. 11. IMPROVING LIFE INSURANCE PRODUCT STAND-**  
 16 **ARDS.**

17 (a) IN GENERAL.—It is the sense of Congress that  
 18 the NAIC should, after consultation with the Secretary of  
 19 Defense, and not later than 6 months after the date of  
 20 enactment of this Act, conduct a study and submit a re-  
 21 port to the Committee on Banking, Housing, and Urban  
 22 Affairs of the Senate and the Committee on Financial  
 23 Services of the House of Representatives on—

1           (1) ways of improving the quality of and sale of  
2       life insurance products sold on military installations  
3       of the United States, which may include—

4                (A) limiting such sales authority to persons  
5       that are certified as meeting appropriate best  
6       practices procedures; and

7                (B) creating standards for products spe-  
8       cifically designed to meet the particular needs  
9       of members of the Armed Forces, regardless of  
10      the sales location; and

11          (2) the extent to which life insurance products  
12      marketed to members of the Armed Forces comply  
13      with otherwise applicable provisions of State law.

14      (b) **CONDITIONAL GAO REPORT.**—If the NAIC does  
15   not submit the report as described in subsection (a), the  
16   Comptroller General of the United States shall—

17           (1) study any proposals that have been made to  
18      improve the quality of and sale of life insurance  
19      products sold on military installations of the United  
20      States; and

21           (2) not later than 6 months after the expiration  
22      of the period referred to in subsection (a), submit a  
23      report on such proposals to the Committee on Bank-  
24      ing, Housing, and Urban Affairs of the Senate and

1 the Committee on Financial Services of the House of  
2 Representatives.

3 **SEC. 12. REQUIRED REPORTING OF DISCIPLINARY AC-**  
4 **TIONS.**

5 (a) **REPORTING BY INSURERS.**—Beginning 1 year  
6 after the date of enactment of this Act, no insurer may  
7 enter into or renew a contractual relationship with any  
8 other person that sells or solicits the sale of any life insur-  
9 ance product on any military installation of the United  
10 States, unless the insurer has implemented a system to  
11 report to the State insurance commissioner of the State  
12 of domicile of the insurer and the State of residence of  
13 that other person—

14 (1) any disciplinary action taken by any Fed-  
15 eral or State government entity with respect to sales  
16 or solicitations of life insurance products on a mili-  
17 tary installation that the insurer knows, or in the ex-  
18 ercise of due diligence should have known, to have  
19 been taken; and

20 (2) any significant disciplinary action taken by  
21 the insurer with respect to sales or solicitations of  
22 life insurance products on a military installation of  
23 the United States.

24 (b) **REPORTING BY STATES.**—It is the sense of Con-  
25 gress that, not later than 1 year after the date of enact-

1 ment of this Act, the States should collectively implement  
2 a system to—

3           (1) receive reports of disciplinary actions taken  
4           against persons that sell or solicit the sale of any life  
5           insurance product on any military installation of the  
6           United States by insurers or Federal or State gov-  
7           ernment entities with respect to such sales or solici-  
8           tations; and

9           (2) disseminate such information to all other  
10          States and to the Secretary of Defense.

11          (c) DEFINITION.—As used in this section, the term  
12 “insurer” means a person engaged in the business of in-  
13 surance.

14 **SEC. 13. REPORTING BARRED PERSONS SELLING INSUR-**  
15 **ANCE OR SECURITIES.**

16          (a) ESTABLISHMENT.—The Secretary of Defense  
17 shall maintain a list of the name, address, and other ap-  
18 propriate information relating to persons engaged in the  
19 business of securities or insurance that have been barred  
20 or otherwise limited in any manner that is not generally  
21 applicable to all such type of persons, from any or all mili-  
22 tary installations of the United States, or that have en-  
23 gaged in any transaction that is prohibited by this Act.

24          (b) NOTICE AND ACCESS.—The Secretary of Defense  
25 shall ensure that—

1           (1) the appropriate Federal and State agencies  
2       responsible for securities and insurance regulation  
3       are promptly notified upon the inclusion in or re-  
4       moval from the list required by subsection (a) of a  
5       person under the jurisdiction of one or more of such  
6       agencies; and

7           (2) the list is kept current and easily  
8       accessible—

9           (A) for use by such agencies; and

10          (B) for purposes of enforcing or consid-  
11       ering any such bar or limitation by the appro-  
12       priate Federal personnel, including commanders  
13       of military installations.

14       (c) REGULATIONS.—

15           (1) IN GENERAL.—The Secretary of Defense  
16       shall issue regulations in accordance with this sub-  
17       section to provide for the establishment and mainte-  
18       nance of the list required by this section, including  
19       appropriate due process considerations.

20           (2) TIMING.—

21           (A) PROPOSED REGULATIONS.—Not later  
22       than the expiration of the 60-day period begin-  
23       ning on the date of enactment of this Act, the  
24       Secretary of Defense shall prepare and submit  
25       to the appropriate Committees of Congress a

1           copy of the regulations required by this sub-  
2           section that are proposed to be published for  
3           comment. The Secretary may not publish such  
4           regulations for comment in the Federal Reg-  
5           ister until the expiration of the 15-day period  
6           beginning on the date of such submission to the  
7           appropriate Committees of Congress.

8           (B) FINAL REGULATIONS.—Not later than  
9           90 days after the date of enactment of this Act,  
10          the Secretary of Defense shall submit to the ap-  
11          propriate Committees of Congress a copy of the  
12          regulations under this section to be published in  
13          final form.

14          (C) EFFECTIVE DATE.—Final regulations  
15          under this paragraph shall become effective 30  
16          days after the date of their submission to the  
17          appropriate Committees of Congress under sub-  
18          paragraph (B).

19          (d) DEFINITION.—For purposes of this section, the  
20          term “appropriate Committees of Congress” means—

21               (1) the Committee on Financial Services and  
22               the Committee on Armed Services of the House of  
23               Representatives; and



1           (2) the Committee on Banking, Housing, and  
2       Urban Affairs and the Committee on Armed Serv-  
3       ices of the Senate.

4   **SEC. 14. STUDY AND REPORTS BY INSPECTOR GENERAL OF**  
5                   **THE DEPARTMENT OF DEFENSE.**

6       (a) **STUDY.**—The Inspector General of the Depart-  
7       ment of Defense shall conduct a study on the impact of  
8       Department of Defense Instruction 1344.07 (as in effect  
9       on the date of enactment of this Act) and the reforms in-  
10      cluded in this Act on the quality and suitability of sales  
11      of securities and insurance products marketed or other-  
12      wise offered to members of the Armed Forces.

13      (b) **REPORTS.**—Not later than 12 months after the  
14      date of enactment of this Act, the Inspector General of  
15      the Department of Defense shall submit an initial report  
16      on the results of the study conducted under subsection (a)  
17      to the Committee on Banking, Housing, and Urban Af-  
18      fairs of the Senate and the Committee on Financial Serv-  
19      ices of the House of Representatives, and shall submit fol-

- 1 lowup reports to those committees on December 31, 2008
- 2 and December 31, 2010.

Passed the Senate July 19, 2006.

Attest:

*Secretary.*

109TH CONGRESS  
2D SESSION

**S. 418**

**AN ACT**

To protect members of the Armed Forces from unscrupulous practices regarding sales of insurance, financial, and investment products.